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January 20, 2009

## Via Hand Delivery

Kristi Izzo, Board Secretary  
Board of Public Utilities  
Two Gateway Center  
Newark, NJ 07102

**Re: In the Matter of the Petition of South Jersey Gas Company for Approval of a  
Capital Investment Recovery Tracker Pursuant to N.J.S.A. 48:2-21.1 and  
N.J.S.A. 48:2-21  
Docket No.**

Dear Secretary Izzo:

This firm represents South Jersey Gas Company ("South Jersey") in the referenced matter. On behalf of South Jersey we are filing herewith the original and ten (10) copies of a Petition and Exhibits.

Also enclosed herewith are two (2) additional copies of the Petition and Exhibits, marked "File Copy". Please stamp each File Copy as "Received", and return them to our messenger.

Thank you for your attention to this matter.

Cordially yours,

COZEN O'CONNOR, PC

A handwritten signature in blue ink that reads "Ira G. Megdal".

By: Ira G. Megdal

IGM/bab

Enclosure

cc: Victor Fortkiewicz  
Stefanie Brand, Esq.  
Elise Goldblat, Esq.  
Babette Tenzer, Esq.  
Caroline Vachier, Esq.

**IN THE MATTER OF THE PETITION OF  
SOUTH JERSEY GAS COMPANY FOR  
APPROVAL OF A CAPITAL INVESTMENT  
RECOVERY TRACKER PURSUANT TO  
N.J.S.A. 48:2-21.1 AND N.J.S.A. 48:2-21**

**: SERVICE LIST**

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**: BPU DOCKET NO. \_\_\_\_\_**

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STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION : PETITION  
OF SOUTH JERSEY GAS COMPANY :  
FOR APPROVAL OF A CAPITAL :  
INVESTMENT RECOVERY TRACKER :  
PURSUANT TO N.J.S.A. 48:2-21.1 AND : DOCKET NO.  
N.J.S.A. 48:2-21 :

**PETITION AND EXHIBITS**

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**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

IN THE MATTER OF THE PETITION : PETITION  
OF SOUTH JERSEY GAS COMPANY :  
FOR APPROVAL OF A CAPITAL :  
INVESTMENT RECOVERY TRACKER :  
PURSUANT TO N.J.S.A. 48:2-21.1 AND : DOCKET NO.  
N.J.S.A. 48:2-21

**TO THE HONORABLE COMMISSIONERS OF  
THE BOARD OF PUBLIC UTILITIES:**

Petitioner, South Jersey Gas Company (sometimes hereinafter referred to as "South Jersey," "Petitioner," or "Company"), a public utility corporation of the State of New Jersey, with its principal office at One South Jersey Plaza, Folsom, New Jersey, hereby petitions this Honorable Board (sometimes hereinafter referred to as "Board") for authority to implement a Capital Investment Recovery Tracker ("CIRT") in accordance with the Governor's Economic Stimulus Program (sometimes hereinafter referred to as "ESP"), pursuant to N.J.S.A. 48:2-21.1 and N.J.S.A. 48:2-21.

**I. BACKGROUND**

1. South Jersey is engaged in the transmission, distribution, transportation, and sale of natural gas within its defined service territory within the State of New Jersey. Said service territory includes all or portions of the following Counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester and Salem. Within its service territory South Jersey serves approximately 335,000 customers.

2. South Jersey is subject to regulation by the Board for the purposes of assuring safe, adequate and proper natural gas service pursuant to N.J.S.A. 48:2-23. In furtherance of this

responsibility South Jersey must maintain its public utility infrastructure, including the property plant, facilities and equipment that comprise South Jersey's natural gas distribution and transmission system, in such condition as to enable the provision of such service.

3. South Jersey is subject to regulation by the Board for the purposes of setting its retail rates to assure safe, adequate and proper natural gas service pursuant to N.J.S.A. 48:2-21, *et seq.*

## II. GOVERNOR CORZINE'S ECONOMIC STIMULUS PLAN

4. In his address to the joint session of the legislature on October 16, 2008 Governor Corzine described the economic crisis facing the State of New Jersey. He stated: "We meet today to face squarely one of the greatest challenges any of us will ever confront in our public lives. Our state and nation is in the grip of the worst economic crisis since the Great Depression. The public is shaken by chaos and uncertainty. They have lost confidence."

5. In that speech, Governor Corzine presented a multi-pronged proposal. One of his proposals was to accelerate capital spending programs. He stated: "The second major thrust of my proposal seeks to strengthen current economic activity and grow employment right away. First and most practically, I have instructed all Commissioners, most particularly the Commissioners and Directors of the Department of Transportation, New Jersey Transit, the Toll Authorities, the Schools Development Authority, the Board of Public Utilities and the Department of Environmental Protection, to accelerate where feasible all currently funded spending projects."

6. Governor Corzine went on to state: "It is my expectation that without compromising appropriate controls or competitive requirements, we can move forward through these agencies, in the next six (6) months, four to five billion dollars (\$4 to \$5 billion) of projects

in the ground otherwise left on the drawing board.”

7. The current Petition is submitted in conformity with this infrastructure initiative.

8. As part of the comprehensive ESP recently proposed by Governor Corzine, the State of New Jersey (the “State”) has requested that utilities such as South Jersey design an accelerated capital investment plan that is both reasonable and prudent. The plan should accelerate South Jersey’s normal capital spending in order to support economic development and job growth within the State. These investments, as a result, must be both necessary and incremental to a utility company’s current capital spending program. This can be accomplished by increasing South Jersey’s infrastructure investments needed for reliability, safety, and system integrity while promoting the conservation and preservation of the environment.

### III. STATUTORY AUTHORIZATION

9. South Jersey proposes to implement a Capital Investment Recovery Tracker (“CIRT”) pursuant to statutory authorization granted in N.J.S.A. 48:2-21.1, sometimes referred to as the “negotiation” statute. Under this statute, South Jersey proposes to impose a CIRT rate during 2009 and 2010.

10. Consistent with our Supreme Court’s decision in *In Re Industrial Sand Rates*, 66 N.J. 12 (1974) the 2009 and 2010 CIRT rate will be subject to validation in a base rate case. See, also, *In re Board’s Investigation of Tel. Companies*, 66 N.J. 476 (1975).

11. During 2010, South Jersey will file a Petition in a base rate proceeding, to be completed by the end of 2010. The CIRT rate for 2009 and 2010 will be validated within the context of that base rate proceeding. The CIRT rate will remain in effect, until it is rolled into South Jersey’s base rates, in the base rate proceeding.

12. The rates proposed for the CIRT in this Petition, are proposed to be effective

March 1, 2009, and be approved at the Board's Agenda Meeting of February 24, 2009. During the time between the filing of this Petition and February 24, 2009, a public hearing will be held within South Jersey's service territory, pursuant to appropriate notice published in newspapers of general circulation within South Jersey's service territory. If necessary, the Board can authorize publication of notice on less than twenty (20) days. In addition, notice will be provided to appropriate public officials. It is proposed that the rates go into effect on March 1, 2009, upon issuance of a Board Order.

13. South Jersey is proposing a fairly expedited procedure in order to initiate the accelerated capital spending program, which will enable the rapid introduction of much needed stimulus into the State's economy and job creating mechanisms.

14. As a result, it is requested that this matter be retained at the Board, and not forwarded to the Office of Administrative Law.

15. South Jersey will file a second CIRT Petition in November 2009, with rates to become effective January 1, 2010. The rates which will emanate from that filing will also be the subject of a public hearing after appropriate public notice. These rates will be effective on a self-implementing basis, without further Board Order.

16. In addition, when South Jersey files its base rate case, public notice of the intent to validate the 2009 and 2010 CIRT rate will be provided as will notice of the proposal to roll the CIRT rate into base rates.

#### **IV. CAPITAL INVESTMENT RECOVERY TRACKER BACKGROUND**

17. The Company proposes to implement a CIRT rate of \$0.0094 per therm, including taxes (\$0.0087 without taxes), which would result in \$3.8 million in revenue in 2009. The proposed CIRT rate would result in a rate increase for a typical residential customer using 100

therms of gas during a winter heating month of \$0.94, or 0.57%. The impact on a typical general service customer using 500 therms of gas during a month would be an increase of \$4.72, or 0.62%.

18. The CIRT will only be meaningful if it contains necessary infrastructure expenditures that are incremental to South Jersey's normal capital program levels during 2009 and 2010.

19. The projects eligible for South Jersey's CIRT will be Qualifying Projects. Qualifying Projects will be those that result in providing safe, adequate and proper service to South Jersey's customers; are incremental in nature; and create jobs in support of Governor Corzine's ESP.

20. South Jersey has identified incremental infrastructure improvements totaling One Hundred Three Million Dollars (\$103 million) that it proposes to complete under the CIRT program during 2009 and 2010. These projects are described in Exhibit 1, attached to this Petition. These expenditures are related to projects that South Jersey had planned to undertake in the future, but are now planned for completion during 2009 and 2010. As a result, these projects will be Qualifying Projects for 2009 and 2010, within the CIRT. A Qualifying Project must provide safe, adequate and proper service; be incremental capital spending; be non-revenue producing, and be job-creating.

21. The CIRT expenditures will total Seventy and One-Half Million Dollars (\$70.5 million) during 2009 and Thirty Two and One-Half Million Dollars (\$32.5 million) during 2010.

22. The projects itemized in Exhibit 1 are primarily related to transmission and distribution main improvements. The purpose of these improvements is to enhance the reliability of gas delivery to the eastern portions of South Jersey's service territory. South Jersey receives

gas at Interstate Transmission Company City-Gate Stations on the western edge of its service territory. Gas then flows primarily from west to east, to points along the New Jersey shore. As the gas moves through the transmission mains, pressure is lost. These system improvements will allow for greater reliability of service throughout the eastern portion of South Jersey's service territory. In addition, the Qualifying Projects are being completed to enhance and accelerate the replacement of bare steel mains, thereby reducing leaks, and associated greenhouse gas emissions.

23. The CIRT cost recovery mechanism proposed will provide South Jersey with the opportunity to earn a return on and a return of its investments in Qualifying Projects.

24. Accordingly, South Jersey requests the Board to approve a CIRT, the details of which are set forth below.

## V. CIRT DETAILS

25. South Jersey proposes to implement the CIRT by planning, constructing and installing Qualifying Projects. The Qualifying Projects are more specifically identified and set forth on Exhibit 1 attached hereto.<sup>1</sup>

26. Using the CIRT Qualifying Projects infrastructure investments, a revenue requirement will be calculated to include a return on investment and a return of investment, which will include capitalized costs related to CIRT projects. The calculation will use the cost of capital and depreciation rates utilized in South Jersey's most recent base rate case, BPU Docket No. GR03080683.

27. The revenue requirement and resulting CIRT rate will be calculated utilizing

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<sup>1</sup> As shown on Exhibit 1, South Jersey has identified 11 projects that will be included in the CIRT.

projected data. The methodology proposed for calculating the revenue requirement has been previously approved by this Board in *In the Matter of the Petition of South Jersey Gas Company for Approval of Increased Base Tariff Rates and Charges for Gas Service*, Docket No. GR96010032 (Order 1/27/97).

28. Rate recoveries will be generally non-bypassable, and on a volumetric basis (equal charge per therm applied to throughput of all customer classes). The CIRT's revenue requirement and rate setting processes will be subject to review by the BPU Staff and Rate Counsel. In the context of the 2010 base rate case, the CIRT rate will be subject to a full and thorough examination. The CIRT rate will be adjusted in the base rate case, as is appropriate.

## VI. DURATION OF CIRT

29. South Jersey anticipates that, in addition to its current CIRT filing, it will file a second CIRT petition in November 2009, identifying the Qualifying Projects for 2010, with tariff sheets necessary to implement the CIRT as of January 1, 2010, and supporting schedules.

30. That filing will propose a CIRT rate to become effective on January 1, 2010. That CIRT rate will be effective on a self-implementing basis, without Board Order. In addition the petition will contain a reconciliation of 2009 CIRT costs and recoveries and related rate adjustments. Overrecoveries will be credited against the 2010 CIRT, with interest, and underrecoveries will be charged to the CIRT with interest. The November 2009 Petition may also request an extension of the CIRT.

31. During the 2010 base rate case, the Qualifying Projects, to the extent validated in that rate case, and found reasonable and prudent, will be rolled into rate base. Full evidentiary hearings concerning CIRT recoveries will take place in that base rate case.

## VII. PUBLIC INTEREST

32. Approval of the CIRT is in the public interest because South Jersey's commitment to move forward with significant capital investments in Qualifying Projects at this time and over the next two years will provide critical and timely assistance to the State as it attempts to create jobs and stimulate the State's economy. The economy is expected to be in the current downturn through the first two years of the CIRT.

33. In addition to improving South Jersey's system for the benefit of our customers and reducing greenhouse emissions, South Jersey's proposed, accelerated infrastructure program is expected to provide significant economic benefits for the State of New Jersey through the creation of jobs and an increase in spending for goods and services. South Jersey estimates that approximately 150 to 200 direct construction jobs will be produced from this program. It is anticipated that this spending will have a multiplier effect beyond the initial spend. We believe that many more ancillary jobs, including those within suppliers to construction companies and within other service providers will be generated throughout the State's economy, as a result of South Jersey's \$103 million program. Estimates provided by the Governor in his address to the Joint Session of the Legislature, utilizing material from the American Society of Engineers and Rutgers University, indicated that 10,000 to 30,000 jobs could be created for every \$1 billion spent on infrastructure. Additionally, the Associated General Contractors of America recently announced estimates that would create an additional 28,500 jobs for every \$1 billion of infrastructure expenditures. Based upon information presented by these expert professional organizations, it is apparent that South Jersey's \$103 million program will create a significant number of jobs both in the construction field and the broader-based economy, while providing long-term benefits by improving the quality of life for many citizens in the State of New Jersey.

34. South Jersey's CIRT filing is a direct result of Governor Corzine's comprehensive ESP. It provides a capital investment plan that is both reasonable and prudent to accelerate its ordinary capital spending planning horizon, from both an operational perspective, and in order to support economic development and job growth within the State. It also increases utility infrastructure investments directly related to capital investment projects associated with necessary reliability, safety, system integrity and the conservation and preservation of the environment.

### **VIII. TARIFF CHANGES**

35. Attached to this Petition as Exhibit 3 is the proposed tariff sheet, establishing the CIRT, Rider B to South Jersey's Tariff. Other tariff sheets to be affected by this Rider B will be submitted under separate cover.

### **IX. PROPOSED EFFECTIVE DATE**

36. South Jersey proposes that the Board approve the CIRT at its agenda meeting of February 24, 2009, to be effective March 1, 2009.

### **X. PUBLIC NOTICE**

37. South Jersey will give notice of the filing of this petition for the CIRT and modification of its Tariff to all of its customers through the publication of a notice in newspapers of general circulation. A copy of the proposed public notice is attached as Exhibit 4.

38. The municipalities and counties served by South Jersey's operations will be notified of the filing of this Petition by letter to be mailed upon publication of the public notice.

## XI. EXHIBITS

39. Attached hereto and made part of this Petition are the following exhibits, which are described below:

Exhibit 1: Schedule of Qualifying Projects

Exhibit 2: Schedules as Described:

Exhibit 2-A contains the monthly estimated expenditures for each of the Qualifying Projects during 2009 and 2010. This exhibit also contains the projected in-service date of each project. The total estimated expenditures for 2009 and 2010 are \$70.5 million, and \$32.5 million, respectively.

Exhibit 2-B contains the monthly depreciation calculations by project based upon each project's in-service date. Depreciation begins in the month after a project is placed into service. Due to the fact that the accelerated bare steel main replacement program consists of 84 miles of main segments throughout the Company's service territory, the in-service dates will occur at various times throughout the CIRT's effective period, as the replacement of each segment is completed. The calculation is based on the Company's composite annual depreciation rate of 2.24%.

Exhibit 2-C contains the 2009 revenue requirement rate calculation. Each month, investments are made in the CIRT's Qualifying Projects, as reflected on Exhibit 2-A. The prior month's cumulative investment is added to the current month. The total investment is multiplied by 1/12 of the Company's most recently approved annual rate of return to arrive at the required net operating income. To the required net operating income is added after tax depreciation expense from Exhibit 2-B, resulting in operating income. This operating income is adjusted by the revenue factor of 1.83 to arrive at the Revenue Requirement. The revenue factor utilized is the revenue factor utilized in the Company's most recent base rate case, adjusted for the increase in sales and use taxes from six percent to seven percent. The total revenue requirement is divided by total annual projected therms of all rate classes to arrive at a volumetric charge of \$.0094/therm.

Exhibit 2-D contains the calculation of the 2010 revenue requirement, based on the 2010 Qualifying Projects budget. The 2010 calculation results in an increase of the CIRT rate over 2009 of \$.0173/therm.

Exhibit 2-E is the recovery schedule for the CIRT. The beginning over/under recovered balance is compared to the difference between the monthly recoveries and the monthly revenue requirement, less sales and

use taxes and PUA taxes. The carrying costs are calculated based on the cumulative over/under recovery each month, at the two-year constant maturity Treasuries as published in the Federal Reserve Statistical Release as of December 1, 2008, plus sixty basis points.

Exhibit 3: Proposed Tariff Pages

Exhibit 4: Proposed form of Public Notice

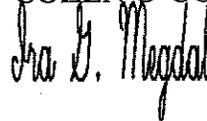
## XII. MISCELLANEOUS

40. South Jersey has served notice and a copy of this Petition upon Director, Division of the Ratepayer Advocate, 31 Clinton Street, Newark, New Jersey 07101.

41. South Jersey has served notice and two (2) copies of this Petition upon the Department of Law and Public Safety, 124 Halsey Street, P.O. Box 45029, Newark, New Jersey 07102.

Respectfully submitted,

South Jersey GAS COMPANY  
By: COZEN O'CONNOR



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IRA G. MEGDAL

**Dated: January 20, 2009**  
**Communications addressed to the**  
**Petitioner in this case are to be**  
**sent to:**

**COZEN O'CONNOR**

**Attention: Ira G. Megdal, Esquire**  
**Daniel J. Bitonti, Esquire**  
**Liberty View Building**  
**Suite 300**  
**457 Haddonfield Road**  
**P.O. Box 5459**  
**Cherry Hill, NJ 08002**  
**(856) 910-5000**

**VERIFICATION**

I, SAMUEL A. PIGNATELLI, of full age, being duly sworn according to law upon my oath, depose and say:

1. I am Vice President, Rates & Regulatory Affairs, of South Jersey Gas Company and am authorized to make this verification on behalf of the Company.

2. I have reviewed the foregoing petition and the information contained therein is true according to the best of my knowledge, information and belief.

  
SAMUEL A. PIGNATELLI

Sworn to and subscribed  
before me this 20<sup>th</sup> day  
of January 2009.

  
Notary Public

**CAROLYN JACOBS**  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires October 28, 2013



**South Jersey Gas Company  
Capital Investment Recovery Tracker  
Qualifying Projects**

<u>2009 Qualifying Projects</u>	<u>Construction Start</u>	<u>In-Service</u>	<u>Estimated Cost</u>	<u>Description</u>
Accelerated Main Replacements	Various	Various	\$13,000,000	Replace approximately 42 miles of bare steel main and 2200 associated services in 2009, throughout the Company's service territory. This improves reliability by improving the integrity of the Company's distribution mains.
24" Malaga-Vineland Pipeline	4/1/2009	12/31/2009	\$40,000,000	Install 15 miles of 24 inch diameter gas transmission line from Malaga in Franklin Township to the east end of City of Vineland to improve delivery reliability.
Transmission Valve Upgrades	4/1/2009	9/30/2009	\$1,800,000	Replace gas transmission line valves with full open ball valves that allow pass thru of inspection tools on the 16" Woodbury pipeline throughout various municipalities from West Deptford to the City of Pleasantville. This improves reliability by allowing the Company to more thoroughly inspect the pipeline and monitor and thus determine ways to improve its integrity.
LNG Plant Generator Install	4/1/2009	9/30/2009	\$1,800,000	Install back-up electric generator which allows facility to operate without outside electric supply at McKee City Liquefied Natural Gas (LNG) Plant in Hamilton and Egg Harbor Townships. This will improve reliability of peak shaving gas supply.
20" Union Rd.-Rt. 50 Upgrade	4/1/2009	11/30/2009	\$600,000	Increase operating pressure of 10 mile pipeline to increase flow capacity on 20" transmission pipeline from City of Vineland to Estell Manor Township to improve delivery reliability.
Swedesboro Station Upgrades	6/1/2009	7/31/2009	\$800,000	Reconfigure piping and valves at Swedesboro Station in Woolwich Township to improve operational flexibility to obtain gas supply from different pipeline suppliers. This will improve reliability of gas supply into the Company's service territory.
12" Rio Grande-Wildwood Pipeline	9/1/2009	12/31/2009	\$4,000,000	Replace 3 miles of 6" steel pipe with 12" steel pipe in Middle Township and City of Wildwood to improve delivery reliability.
10" Atco-Stokes Road Pipeline	9/1/2009	12/31/2009	\$8,500,000	Replace 6 miles of 6" steel pipe with 10" steel pipe in Waterford and Shamong Townships to improve delivery reliability.
<b>Total 2009 Proposed</b>			<b>\$70,500,000</b>	

**South Jersey Gas Company  
Capital Investment Recovery Tracker  
Qualifying Projects**

<u>2010 Qualifying Projects</u>	<u>Construction Start</u>	<u>In-Service</u>	<u>Estimated Cost</u>	<u>Description</u>
<b>Accelerated Main Replacements</b>	Various	Various	\$13,000,000	Replace approximately 42 miles of bare steel main and 2200 associated services in 2010, throughout the Company's service territory. This improves reliability by improving the integrity of the Company's distribution mains.
<b>16" CMCH-Burleigh Pipeline</b>	3/1/2010	6/30/2010	\$7,500,000	Install 3 miles of 16 inch diameter gas transmission line from Cape May Court House to Burleigh in Middle Township to improve delivery reliability.
<b>24" Black Horse Pike-Dellilah</b>	4/1/2010	7/31/2009	\$7,500,000	Install 2.7 miles of 24 inch diameter gas transmission line from Blackhorse Pike to Dellilah Road in Egg Harbor Township to improve delivery reliability.
<b>Install H-6 LNG Vaporizer</b>	5/1/2010	9/30/2010	\$4,500,000	Installation of new vaporizer to improve peak shaving gas supply reliability at McKee City Liquefied Natural Gas (LNG) Plant in Hamilton and Egg Harbor Townships.
<b>Total 2010 Proposed</b>			<b>\$32,500,000</b>	
<b>Total Proposed Costs</b>			<b>\$103,000,000</b>	

South Jersey Gas Company  
Capital Investment Recovery Tracker  
Estimated Expenditures

2009 Qualifying Projects	In-Service Date	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
Accelerated Main Replacements	Various	\$0	\$500,000	\$750,000	\$1,250,000	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$13,000,000
24" Malaga-Vineland Pipeline	12/31/2009	\$2,000,000	\$1,000,000	\$1,000,000	\$4,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$7,000,000	\$40,000,000
Transmission Valve Upgrades	9/30/2009	\$300,000	\$300,000	\$300,000	\$150,000	\$150,000	\$300,000	\$550,000	\$50,000	\$50,000	\$50,000	\$1,800,000
LNG Plant Generator Install	9/30/2009	\$100,000	\$100,000	\$1,000,000	\$50,000	\$50,000	\$50,000	\$500,000	\$50,000	\$50,000	\$50,000	\$1,800,000
20" Union Rd.-Rt. 50 Upgrade	11/30/2009	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$200,000	\$50,000	\$50,000	\$50,000	\$600,000
Swedesboro Station Upgrades	7/31/2009				\$200,000	\$500,000	\$100,000					\$800,000
12" Rio Grande-Wildwood Pipeline	12/31/2009	\$150,000	\$25,000	\$25,000	\$25,000	\$75,000	\$200,000	\$1,000,000	\$500,000	\$500,000	\$1,500,000	\$4,000,000
10" Atco-Stokes Road Pipeline	12/31/2009	\$25,000	\$50,000	\$200,000	\$200,000	\$4,000,000	\$200,000	\$200,000	\$500,000	\$1,500,000	\$1,625,000	\$8,500,000
<b>Total 2009</b>		<b>\$2,175,000</b>	<b>\$2,025,000</b>	<b>\$3,325,000</b>	<b>\$5,925,000</b>	<b>\$11,575,000</b>	<b>\$7,650,000</b>	<b>\$9,200,000</b>	<b>\$7,990,000</b>	<b>\$8,800,000</b>	<b>\$11,925,000</b>	<b>\$70,500,000</b>

2010 Qualifying Projects	In-Service Date	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Total
Accelerated Main Replacements	Various	\$50,000	\$50,000	\$100,000	\$800,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$13,000,000
16" CMCH-Burleigh Pipeline	6/30/2010	\$1,000,000	\$500,000	\$1,000,000	\$1,500,000	\$1,500,000	\$1,750,000	\$250,000						\$7,500,000
24" Black Horse Pike-Dellilah	7/31/2010	\$1,000,000	\$500,000	\$1,000,000	\$1,500,000	\$1,500,000	\$1,500,000	\$250,000						\$7,500,000
Install H-6 LNG Vaportizer	9/30/2010	\$100,000	\$100,000	\$100,000	\$100,000	\$2,500,000	\$500,000	\$300,000	\$100,000	\$300,000	\$500,000			\$4,500,000
<b>Total 2010</b>		<b>\$2,050,000</b>	<b>\$1,150,000</b>	<b>\$2,200,000</b>	<b>\$3,900,000</b>	<b>\$7,000,000</b>	<b>\$5,250,000</b>	<b>\$2,300,000</b>	<b>\$1,850,000</b>	<b>\$1,800,000</b>	<b>\$2,000,000</b>	<b>\$1,500,000</b>	<b>\$1,500,000</b>	<b>\$32,500,000</b>

South Jersey Gas Company  
Capital Investment Recovery Tracker  
Depreciation Calculation

Annual Composite Depreciation Rate  
2.24%  
Monthly Depreciation Rate  
0.19%

2009 Depreciation

	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
Accelerated Main Replacements	\$0	\$0	\$933	\$2,333	\$4,667	\$7,933	\$11,200	\$14,467	\$17,733	\$21,000
Swedesboro Station Upgrades	\$0	\$0	\$0	\$0	\$0	\$1,307	\$1,493	\$1,493	\$1,493	\$1,493
Transmission Valve Upgrades	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,267	\$3,360	\$3,360
LNG Plant Generator Install	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,267	\$3,360	\$3,360
20" Union Rd.-Rt. 50 Upgrade	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,027
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$933</b>	<b>\$2,333</b>	<b>\$4,667</b>	<b>\$9,240</b>	<b>\$12,693</b>	<b>\$22,493</b>	<b>\$25,947</b>	<b>\$30,240</b>
Tax Factor	59.15%	59.15%	59.15%	59.15%	59.15%	59.15%	59.15%	59.15%	59.15%	59.15%
<b>After Tax Depreciation Expense</b>	<b>\$0</b>	<b>\$0</b>	<b>\$552</b>	<b>\$1,380</b>	<b>\$2,760</b>	<b>\$5,465</b>	<b>\$7,508</b>	<b>\$13,305</b>	<b>\$15,347</b>	<b>\$17,887</b>

2010 Depreciation

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11
Accelerated Main Replacements	\$24,267	\$24,360	\$24,453	\$24,640	\$26,133	\$28,933	\$31,733	\$34,533	\$37,333	\$40,133	\$42,933	\$45,733	\$48,533
Swedesboro Station Upgrades	\$1,493	\$1,493	\$1,493	\$1,493	\$1,493	\$1,493	\$1,493	\$1,493	\$1,493	\$1,493	\$1,493	\$1,493	\$1,493
Transmission Valve Upgrades	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360
LNG Plant Generator Install	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360	\$3,360
20" Union Rd.-Rt. 50 Upgrade	\$1,120	\$1,120	\$1,120	\$1,120	\$1,120	\$1,120	\$1,120	\$1,120	\$1,120	\$1,120	\$1,120	\$1,120	\$1,120
24" Malaga-Vineland Pipeline	\$74,667	\$74,667	\$74,667	\$74,667	\$74,667	\$74,667	\$74,667	\$74,667	\$74,667	\$74,667	\$74,667	\$74,667	\$74,667
12" Rio Grande-Wildwood Pipeline	\$7,467	\$7,467	\$7,467	\$7,467	\$7,467	\$7,467	\$7,467	\$7,467	\$7,467	\$7,467	\$7,467	\$7,467	\$7,467
10" Atco-Stokes Road Pipeline	\$15,867	\$15,867	\$15,867	\$15,867	\$15,867	\$15,867	\$15,867	\$15,867	\$15,867	\$15,867	\$15,867	\$15,867	\$15,867
16" CMCH-Burleigh Pipeline	\$0	\$0	\$0	\$0	\$0	\$0	\$13,533	\$13,533	\$13,533	\$13,533	\$13,533	\$13,533	\$13,533
24" Black Horse Pike-Delilah	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,000	\$14,467	\$14,467	\$14,467	\$14,467	\$14,467
Install H-6 LNG Vaporizer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,467	\$8,400	\$8,400	\$8,400
<b>Total</b>	<b>\$131,600</b>	<b>\$131,693</b>	<b>\$131,787</b>	<b>\$131,973</b>	<b>\$133,467</b>	<b>\$136,267</b>	<b>\$152,600</b>	<b>\$169,400</b>	<b>\$172,667</b>	<b>\$182,933</b>	<b>\$186,667</b>	<b>\$189,467</b>	<b>\$192,267</b>
Tax Factor	59.15%	59.15%	59.15%	59.15%	59.15%	59.15%	59.15%	59.15%	59.15%	59.15%	59.15%	59.15%	59.15%
<b>After Tax Depreciation Expense</b>	<b>\$77,841</b>	<b>\$77,897</b>	<b>\$77,952</b>	<b>\$78,062</b>	<b>\$78,946</b>	<b>\$80,602</b>	<b>\$90,263</b>	<b>\$100,200</b>	<b>\$102,132</b>	<b>\$108,205</b>	<b>\$110,413</b>	<b>\$112,070</b>	<b>\$113,726</b>



South Jersey Gas Company

Capital Investment Recovery Tracker  
Revenue Requirement  
and  
2010 Rate Calculation

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	2010 Total
Monthly Investment (Exhibit 2-A)	\$2,050,000	\$1,150,000	\$2,200,000	\$3,900,000	\$7,000,000	\$5,250,000	\$2,300,000	\$1,850,000	\$1,800,000	\$2,000,000	\$1,500,000	\$1,500,000	\$32,500,000
Cumulative Investment	\$72,550,000	\$73,700,000	\$75,900,000	\$79,800,000	\$86,800,000	\$92,050,000	\$94,350,000	\$96,200,000	\$98,000,000	\$100,000,000	\$101,500,000	\$103,000,000	
Rate of Return ( 7.97% / 12 )	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%
Required Net Operating Income	\$482,062	\$489,703	\$504,321	\$530,235	\$576,747	\$611,631	\$626,913	\$639,206	\$651,166	\$664,455	\$674,422	\$684,389	\$7,135,250
After Tax Depreciation Expense (Exhibit 2-B)	\$77,841	\$77,897	\$77,952	\$78,062	\$78,946	\$80,602	\$90,263	\$100,200	\$102,132	\$108,205	\$110,413	\$112,070	\$1,094,583
Operating Income	\$559,904	\$567,600	\$582,273	\$608,297	\$655,692	\$692,233	\$717,176	\$739,406	\$753,298	\$772,660	\$784,835	\$796,458	\$8,229,833
Revenue Factor	1.83	1.83	1.83	1.83	1.83	1.83	1.83	1.83	1.83	1.83	1.83	1.83	
Revenue Requirement	\$1,024,623	\$1,038,708	\$1,065,560	\$1,113,184	\$1,199,917	\$1,266,766	\$1,312,432	\$1,353,113	\$1,378,536	\$1,413,968	\$1,436,248	\$1,457,518	\$15,060,594

Terms

Rate Per Therm

565,123.418

\$0.0267

South Jersey Gas Company  
Capital Investment Recovery Tracker  
Recovery Schedule

	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
Beginning Balance	\$0	(\$639,194)	(\$1,071,254)	(\$1,297,625)	(\$1,391,222)	(\$1,363,937)	(\$1,243,590)	(\$972,851)	(\$524,964)	(\$296,509)	\$0
Period Volumes	75,328,408	54,431,195	35,478,123	28,198,304	29,646,462	29,456,552	24,627,977	27,168,606	41,088,524	60,555,418	
Recovery Rate	\$0.0094	\$0.0094	\$0.0094	\$0.0094	\$0.0094	\$0.0094	\$0.0094	\$0.0094	\$0.0094	\$0.0094	\$0.0094
Recoveries	\$711,684	\$514,252	\$335,188	\$266,411	\$280,092	\$276,298	\$232,679	\$256,663	\$388,194	\$572,113	\$3,835,575
Revenue Requirement	\$26,447	\$51,070	\$92,511	\$166,071	\$309,344	\$407,314	\$522,920	\$629,588	\$740,330	\$889,980	\$3,835,575
Monthly (Over)/Under Recovered Balance	(\$685,237)	(\$463,182)	(\$242,678)	(\$100,359)	\$29,251	\$129,016	\$290,241	\$372,925	\$352,136	\$317,867	(\$0)
Monthly (Over)/Under Recovered Balance Excluding SUT and PUA	(\$639,194)	(\$432,060)	(\$226,372)	(\$93,597)	\$27,286	\$120,347	\$270,739	\$347,867	\$328,475	\$296,509	(\$0)
Cumulative (Over)/Under Recovered Balance	(\$639,194)	(\$1,071,254)	(\$1,297,625)	(\$1,391,222)	(\$1,363,937)	(\$1,243,590)	(\$972,851)	(\$624,984)	(\$296,509)	(\$0)	\$0
Carrying Costs	1.50%	(\$399)	(\$1,069)	(\$1,481)	(\$1,681)	(\$1,722)	(\$1,385)	(\$999)	(\$576)	(\$185)	(\$10,727)

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Total
Beginning Balance	(\$0)	(\$999,310)	(\$2,031,580)	(\$2,910,237)	(\$3,224,978)	(\$2,987,652)	(\$2,506,978)	(\$2,019,725)	(\$1,489,804)	(\$816,133)	(\$172,519)	\$145,788	(\$0)
Period Volumes	78,645,727	80,500,121	75,328,408	54,431,195	35,478,123	28,198,304	29,646,462	29,456,552	24,627,977	27,168,606	41,088,524	60,555,418	565,123,418
Recovery Rate	\$0.0267	\$0.0267	\$0.0267	\$0.0267	\$0.0267	\$0.0267	\$0.0267	\$0.0267	\$0.0267	\$0.0267	\$0.0267	\$0.0267	\$0.0267
Recoveries	\$2,095,916	\$2,145,336	\$2,007,509	\$1,450,597	\$945,495	\$751,488	\$790,081	\$785,020	\$656,338	\$723,993	\$1,095,013	\$1,613,808	\$15,060,594
Revenue Requirement	\$1,024,623	\$1,038,708	\$1,065,560	\$1,113,184	\$1,199,917	\$1,266,786	\$1,312,432	\$1,353,113	\$1,378,536	\$1,413,968	\$1,436,248	\$1,457,518	\$15,060,594
Monthly (Over)/Under Recovered Balance	(\$1,071,293)	(\$1,032,271)	(\$878,657)	(\$314,741)	\$237,326	\$480,674	\$487,253	\$529,321	\$673,671	\$643,614	\$318,307	(\$145,788)	(\$0)
Monthly (Over)/Under Recovered Balance Excluding SUT and PUA	(\$999,310)	(\$2,031,580)	(\$2,910,237)	(\$3,224,978)	(\$2,987,652)	(\$2,506,978)	(\$2,019,725)	(\$1,489,804)	(\$816,133)	(\$172,519)	(\$145,788)	(\$0)	\$0
Cumulative (Over)/Under Recovered Balance	(\$999,310)	(\$2,031,580)	(\$2,910,237)	(\$3,224,978)	(\$2,987,652)	(\$2,506,978)	(\$2,019,725)	(\$1,489,804)	(\$816,133)	(\$172,519)	(\$145,788)	(\$0)	\$0
Carrying Costs	1.50%	(\$625)	(\$1,894)	(\$3,089)	(\$3,895)	(\$3,883)	(\$3,434)	(\$2,829)	(\$2,193)	(\$1,441)	(\$618)	(\$17)	(\$23,766)

## SOUTH JERSEY GAS COMPANY

Twenty-Eighth Revised Sheet No. 68

B.P.U.N.J. No. 9 - GAS

Superseding Twenty-Seventh Revised Sheet No. 68

## RIDER "B"

## CAPITAL INVESTMENT RECOVERY TRACKER ("CIRT")

## APPLICABLE TO:

Rate Schedule RSG	-	Residential
Rate Schedule GSG	-	General Service
Rate Schedule GSG-LV	-	General Service- Large Volume
Rate Schedule CTS	-	Comprehensive Transportation Service
Rate Schedule LVS	-	Large Volume Service
Rate Schedule FES	-	Firm Electric Service
Rate Schedule EGS	-	Electric Generation Service
Rate Schedule EGS-LV	-	Electric Generation Service- Large Volume
Rate Schedule IGS	-	Interruptible Gas Service
Rate Schedule ITS	-	Interruptible Transportation Service

This Rider "B" shall be known as the Capital Investment Recovery Tracker ("CIRT"). It shall be utilized to adjust the Company's monthly revenues in cases wherein the actual recoveries experienced vary from the calculated revenue requirement. It shall be utilized to earn a return on and a return of incremental infrastructure investments, including the capitalized costs related to CIRT projects. The calculation will use the weighted cost of capital and depreciation rates utilized in the Company's most recent base rate case.

The revenue requirement will be calculated using projected data and be subject to a true-up at the end of the year with simple interest on net over/under recoveries. Interest associated with over recoveries will be credited against the CIRT, while interest associated with under recoveries will be charged to the CIRT. The interest on CIRT under and over recoveries shall be the interest rate based on a two-year constant maturity Treasuries as shown in the Federal Reserve Statistical Release on or closest to November 1 of each year, plus sixty basis points, but shall not exceed the Company's overall rate of return utilized by the Board in the Company's most recent base rate case.

This tracker will be effectuated through a volumetric rate applied to customers' bills. The Company shall make an annual CIRT rate filing in November of each year. Included in the filing will be a list of infrastructure related projects eligible for recovery under the CIRT. The CIRT rate shall be a self-implementing rate adjusted each January 1<sup>st</sup>. CIRT rate adjustments shall be made pursuant to the Board's Order at Docket No. \_\_\_\_\_, dated \_\_\_\_\_.

Rate Schedules subject to this Rider will be charged the following volumetric rate:

CIRT Factor per therm	\$0.0087
Applicable Revenue Tax Factor	<u>1.0019</u>
CRIT Factor per therm	\$0.0087
Applicable NJ Sales Tax Factor	<u>1.07</u>
CIRT Rate per therm with NJ Sales Tax	<u>\$0.0094</u>

Issued January 20, 2009  
by South Jersey Gas Company,  
E. Graham, President

Effective with service rendered  
on and after \_\_\_\_\_

Filed pursuant to Order in Docket No. \_\_\_\_\_ of the Board of  
Public Utilities, State of New Jersey, dated \_\_\_\_\_

**NOTICE OF FILING OF PETITION  
PROPOSING TO INCREASE EXISTING RATE  
LEVELS AND OF PUBLIC HEARING**

**IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR  
APPROVAL OF A CAPITAL INVESTMENT RECOVERY TRACKER PURSUANT TO  
N.J.S.A. 48:2-21.1 AND N.J.S.A. 48:2-21  
B.P.U. DOCKET NO.**

**NOTICE IS HERE BY GIVEN** that pursuant to the statutory authorization granted in N.J.S.A. 48:2-21.1 and in response Governor Jon Corzine's Comprehensive Economic Stimulus Plan, South Jersey Gas Company ("South Jersey" or the "Company") has filed a Petition with the New Jersey Board of Public Utilities (the "Board") for approval of a mechanism, a Capital Investment Recovery Tracker ("CIRT"), to accelerate certain capital infrastructure projects.

Specifically, in response to what Governor Corzine has deemed the "worst economic crisis since the Great Depression," he recently set forth a proposal to "strengthen current economic activity and grow employment right away." In order to expedite this growth, he has instructed the Commissioners of several State agencies, including the Board, "to accelerate, where feasible, all currently funded spending projects." South Jersey's Petition is submitted in conformance with Governor Corzine's economic stimulus initiative.

The projects eligible for South Jersey's CIRT program will be those that result in providing safe, adequate and proper service to South Jersey's customers; are incremental in nature, and create jobs in support of the Governor's Economic Stimulus Plan. South Jersey has identified incremental infrastructure improvements totaling approximately One Hundred and Three Million Dollars (\$103 million) that it proposes to complete under the CIRT program during 2009 and 2010. These infrastructure improvements were previously planned to be completed in future years. South Jersey believes that through the CIRT program, it will accomplish the capital investment and job growth goals set forth in the Governor's Economic Stimulus Plan.

If approved by the Board, the impact of the proposed changes in the CIRT Charges on typical Residential and General Service customers using less than 5,000 therms per year is estimated to be as follows:

**Residential Service (RSG)**

<b>Therm Level</b>	<b>Bill as of January 1,2009(1)</b>	<b>Bill as of March 1, 2009 (2)</b>	<b>Dollar Increase</b>	<b>Percent Increase</b>
25	\$51.19	51.42	\$0.23	0.45%
100	\$166.34	\$167.28	\$0.94	0.57%
200	\$324.92	\$326.80	\$1.88	0.58%

**General Service (GSG) (Using less than 5,000 therms per year)**

<b>Therm Level</b>	<b>Bill as of January 1, 2009 (1)</b>	<b>Bill as of March 1, 2009 (2)</b>	<b>Dollar Increase</b>	<b>Percent Increase</b>
500	\$764.63	\$769.35	\$4.72	0.62%
1,000	\$1,510.53	\$1,519.97	\$9.45	0.63%
2,000	\$3,002.33	\$3,021.22	\$18.90	0.63%

- (1) Based upon current Delivery Rates and Basic Gas Supply Service (BGSS) charges in effect January 1, 2009 and assumes that the customer receives BGSS service from South Jersey Gas.  
(2) Same as (1) except includes change in CIRT.

The Board has statutory authority to approve the CIRT program in a manner it finds just and reasonable. Therefore, the Board may approve a CIRT program in different manner than the program as proposed by South Jersey.

Copies of the Company's filing are available for inspection at the Company offices located at One South Jersey Plaza, Folsom, New Jersey 08037, or at the Board of Public Utilities, Two Gateway Center, Newark, New Jersey 07102.

NOTICE is further given that a public hearing has been scheduled at the following date, time, and place on the Company's above-mentioned requests.

XXX XX at 7:00 P.M.  
Voorhees Middle School, Lecture Hall  
Holly Oak Drive  
Voorhees, New Jersey 08043

**The public is invited to attend and interested persons will be permitted to testify and/or make a statement of their views on the proposed increases. In order to encourage full participation in this opportunity for public comment, please submit any requests for needed accommodations, including interpreter, listening devices or mobility assistance, 48 hours prior to this hearing. In addition, members of the public may submit written comments concerning the petition to the BPU regardless of whether they attend the hearing by addressing them to: Honorable Kristi Izzo, Secretary, Board of Public Utilities, Two Gateway Center, Newark, New Jersey 07102.**

**SOUTH JERSEY GAS COMPANY**  
**By: Edward Graham, President**